

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission,     ) Docket No. NG-0011/PI-74  
on its own motion, seeking to         )  
conduct an investigation for the        )  
purpose of monitoring North-           )  
Western Energy's financial             ) ORDER OPENING DOCKET  
condition and ability to               )  
continue providing adequate and        )  
reliable service to its                 )  
customers.                               ) Entered: September 9, 2003

BY THE COMMISSION:

1. The Commission has become aware that NorthWestern Energy, a natural gas utility subject to the Commission's jurisdiction pursuant to the Natural Gas Regulation Act, has been experiencing serious financial difficulties recently. NorthWestern Energy is a division of NorthWestern Corporation. NorthWestern Corporation, in its most recent Form 10-Q quarterly report filed with the Securities and Exchange Commission, states

We face significant and immediate liquidity challenges that are materially and adversely affecting our ability to fund our operations and service our substantial indebtedness. If we are unable to address these challenges or to effectuate our turnaround plan, which will require significantly reducing our debt, restructuring our debt and generating cash from additional funding sources or proceeds from the sale of non core assets, then we may default on certain covenants under our instruments governing our indebtedness, including our credit agreement, and we may be required to seek protection under the U.S. Bankruptcy Code.<sup>1</sup>

2. Among other reasons, NorthWestern Corporation cites poor performance of its non-energy businesses and significant indebtedness as factors contributing to its current financial condition. As of June 30, 2003, NorthWestern Corporation had a common stockholders' deficit of \$503.9 million and \$2.2 billion in debt and trust preferred instruments outstanding.<sup>2</sup>

3. NorthWestern Energy purchases, transports, distributes and stores natural gas for customers in and near the communities of Grand Island, Kearney, North Platte, and Alda, Nebraska. It also serves customers in Montana and South Dakota.

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<sup>1</sup> NORTHWESTERN CORPORATION, Form 10-Q, p. 43-44 (2003, 2<sup>nd</sup> Quarter).

<sup>2</sup> Id. At p. 9-10.

4. The Commission is concerned about how Northwestern Energy's financial condition might affect the utility's ability to provide adequate and reliable service to its Nebraska customers.

O P I N I O N     A N D     F I N D I N G S

For the above reasons, the Commission finds that it should open an investigation for the purpose of monitoring Northwestern Energy's financial condition to the extent such financial condition may affect Northwestern Energy's ability to continue providing service to its Nebraska customers. The Commission's purpose in opening this investigation is to ensure that all of Northwestern Energy's Nebraska customers continue to receive adequate and reliable natural gas service. As an initial step in this proceeding, the Commission will investigate what reporting requirements may assist the Commission in accomplishing this purpose of ensuring adequate and reliable service.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that a public investigation is hereby opened.

MADE AND ENTERED at Lincoln, Nebraska, this 9th day of September, 2003.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chair

ATTEST:

Executive Director